

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,  
BASIC FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND SCHEDULE OF FINDINGS

JUNE 30, 2010

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

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# SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Officials  
June 30, 2010

| <u>Name</u>                      | <u>Title</u>                 | <u>Term Expires</u> |
|----------------------------------|------------------------------|---------------------|
| <b>Board of Education</b>        |                              |                     |
| (Before September 2009 Election) |                              |                     |
| Lee Ann Grimley                  | Board President              | 2009                |
| Judy Studt                       | Board Member                 | 2009                |
| Tami Gillmore                    | Board Member                 | 2011                |
| Dennis Thies                     | Board Member                 | 2011                |
| Todd Nulle                       | Board Member                 | 2011                |
| (After September 2009 Election)  |                              |                     |
| Lee Ann Grimley                  | Board President              | 2013                |
| Tami Gillmore                    | Board Member                 | 2011                |
| Dennis Thies                     | Board Member                 | 2011                |
| Todd Nulle                       | Board Member                 | 2011                |
| Judy Studt                       | Board Member                 | 2013                |
| <b>School Officials</b>          |                              |                     |
| Terry Rhinehart                  | Superintendent               | 2010                |
| Stacey Matus                     | District Secretary/Treasurer | Indefinite          |
| Brian Gruhn                      | Attorney                     | Indefinite          |

# **KAY L. CHAPMAN, CPA PC**

119 West Mississippi Drive, Suite3

Muscatine, Iowa 52761

563-264-1385

## Independent Auditor's Report

To the Board of Education  
Springville Community School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Springville Community School District, Springville, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Springville Community School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated February 28, 2011 on my consideration of Springville Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 44 through 46 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Springville Community School District's basic financial statements. Other supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the seven years in the period ended June 30, 2010, appearing in Schedule 7, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

*Kay L. Chapman, CPA PC*

Kay L. Chapman, CPA PC  
February 28, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Springville Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$4,159,821 in fiscal 2009 to \$4,070,073 in fiscal 2010, and General Fund expenditures decreased from \$4,025,921 in fiscal 2009 to \$3,864,621 in fiscal 2010. The District's General Fund balance increased from \$628,108 in fiscal 2009 to \$817,378 in fiscal 2010, a 30% increase.
- The decrease in General Fund revenue was attributable to a decrease in investment interest, state foundation aid, and instructional support state aid. The decrease in expenditures was due primarily to reduction in instructional staff and building administration. One reason the General Fund balance increased is because of the District's efforts to decrease expenditures for fiscal 2010. As a result, the District was able to increase its cash balance by \$189,270.
- A decrease in interest rates during the past fiscal year resulted in interest earnings in the General Fund alone decreasing from \$11,371 in fiscal 2009 to \$8,499 in fiscal 2010.
- The District was able to grow its unspent authorized budget \$327,046 from fiscal 2009 to fiscal 2010.
- The District's general fund solvency ratio (unreserved-undesignated fund balance/general fund revenues) increased from 14.89% at June 30, 2009 to 19.02% at June 30, 2010.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Springville Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Springville Community School District's

operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor Governmental and Enterprise Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

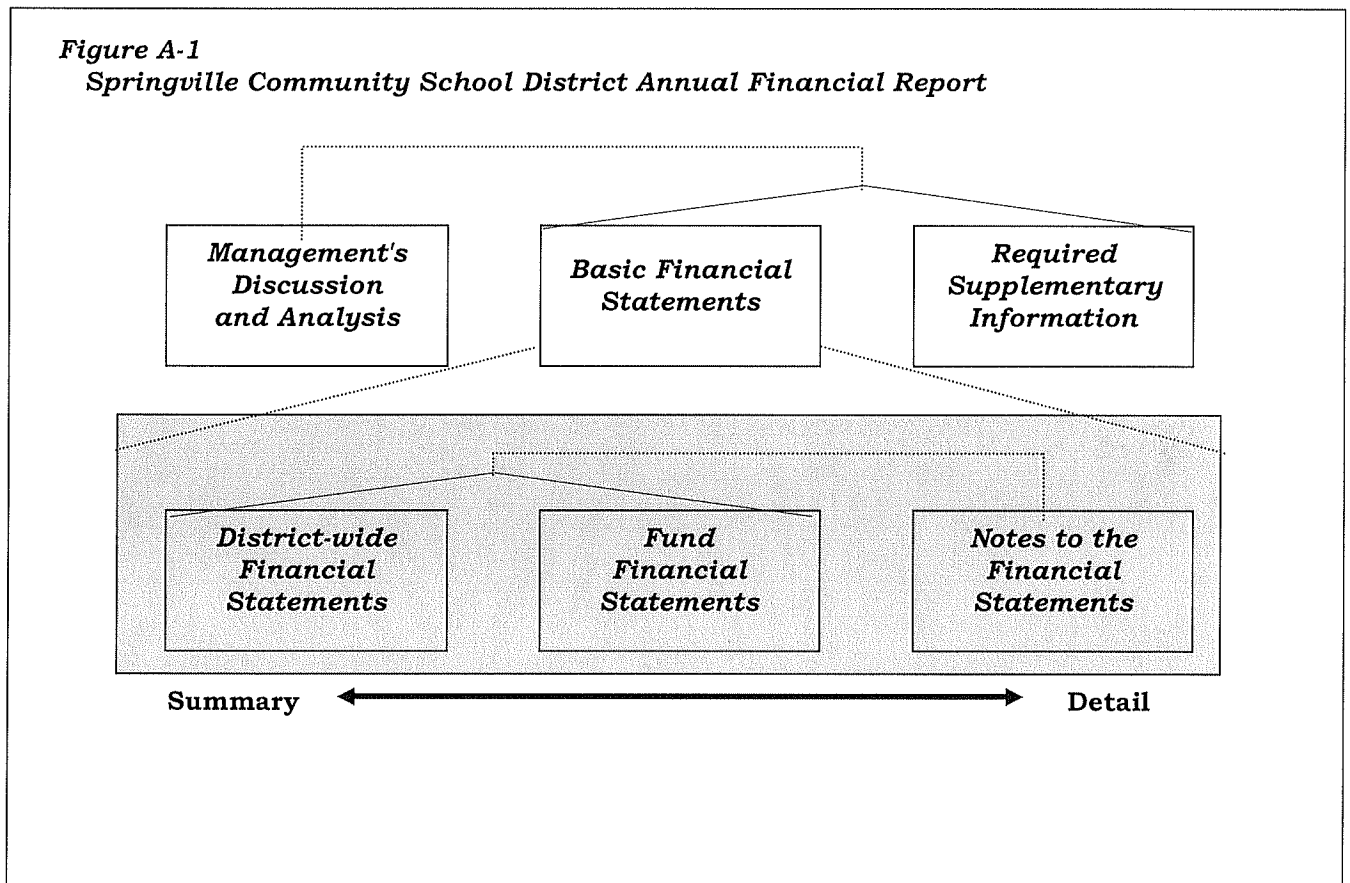


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

| <b>Figure A-2</b>  |  |  |  |
|--|--|--|--|
| <b>Major Features of the Government-wide and Fund Financial Statements</b> |  |  |  |
|  | Government-wide<br>Statements  | Fund Statements<br>Governmental Funds  | Proprietary Funds  |
| Scope  | Entire District  | The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance   | Activities the District operates similar to private businesses: food services and preschool  |
| Required financial statements  | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul> | <ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>  | <ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul> |
| Accounting basis and measurement focus                                     | Accrual accounting and economic resources focus  | Modified accrual accounting and current financial resources focus  | Accrual accounting and economic resources focus  |
| Type of asset/ liability information                                       | All assets and liabilities, both financial and capital, short-term and long-term                               | Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included   | All assets and liabilities, both financial and capital, short-term and long-term   |
| Type of inflow/ outflow information  | All revenues and expenses during year, regardless of when cash is received or paid                             | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid   |

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator

of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and preschool programs are included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Fund and Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and Preschool Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to June 30, 2009.

Figure A-3

| Condensed Statement of Net Assets |                     |                     |                  |                   |                     |                     |                  |
|-----------------------------------|---------------------|---------------------|------------------|-------------------|---------------------|---------------------|------------------|
|                                   | Governmental        |                     | Business Type    |                   | Total               |                     | Total            |
|                                   | Activities          |                     | Activities       |                   | District            |                     | Change           |
|                                   | <u>2010</u>         | <u>2009</u>         | <u>2010</u>      | <u>2009</u>       | <u>2010</u>         | <u>2009</u>         | <u>2009-2010</u> |
| Current and other assets          | \$ 5,748,719        | \$ 7,908,599        | \$ 40,458        | \$ 37,868         | \$ 5,789,177        | \$ 7,946,467        | -27.15%          |
| Capital assets                    | <u>3,262,680</u>    | <u>1,232,301</u>    | <u>18,695</u>    | <u>12,129</u>     | <u>3,281,375</u>    | <u>1,244,430</u>    | 163.68%          |
| Total assets                      | <u>9,011,399</u>    | <u>9,140,900</u>    | <u>59,153</u>    | <u>49,997</u>     | <u>9,070,552</u>    | <u>9,190,897</u>    | -1.31%           |
|                                   |                     |                     |                  |                   |                     |                     |                  |
| Long-term liabilities             | 3,812,941           | 4,002,416           | -                | -                 | 3,812,941           | 4,002,416           | -4.73%           |
| Other liabilities                 | <u>2,515,101</u>    | <u>2,768,254</u>    | <u>38,640</u>    | <u>51,416</u>     | <u>2,553,741</u>    | <u>2,819,670</u>    | -9.43%           |
| Total liabilities                 | <u>6,328,042</u>    | <u>6,770,670</u>    | <u>38,640</u>    | <u>51,416</u>     | <u>6,366,682</u>    | <u>6,822,086</u>    | -6.68%           |
|                                   |                     |                     |                  |                   |                     |                     |                  |
| Net assets                        |                     |                     |                  |                   |                     |                     |                  |
| Invested in capital assets,       |                     |                     |                  |                   |                     |                     |                  |
| net of related debt               | 928,626             | 992,301             | 18,695           | 12,129            | 947,321             | 1,004,430           | -5.69%           |
| Restricted                        | 829,106             | 758,419             | -                | -                 | 829,106             | 758,419             | 9.32%            |
| Unrestricted                      | <u>925,625</u>      | <u>619,510</u>      | <u>1,818</u>     | <u>(13,548)</u>   | <u>927,443</u>      | <u>605,962</u>      | 53.05%           |
| Total net assets                  | <u>\$ 2,683,357</u> | <u>\$ 2,370,230</u> | <u>\$ 20,513</u> | <u>\$ (1,419)</u> | <u>\$ 2,703,870</u> | <u>\$ 2,368,811</u> | 14.14%           |

The District's combined net assets increased by approximately 14%, or \$335,059, from the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$70,687, or approximately 9% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$321,481, or approximately 53%.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4

|                                       | Change in Net Assets    |                     |                          |                   |                     |                     | Total         |
|---------------------------------------|-------------------------|---------------------|--------------------------|-------------------|---------------------|---------------------|---------------|
|                                       | Governmental Activities |                     | Business Type Activities |                   | Total District      |                     | Change        |
|                                       | 2010                    | 2009                | 2010                     | 2009              | 2010                | 2009                | 2009-<br>2010 |
| Revenues                              |                         |                     |                          |                   |                     |                     |               |
| Program revenues                      |                         |                     |                          |                   |                     |                     |               |
| Charges for service and sales         | \$ 477,208              | \$ 514,303          | \$ 149,304               | \$ 145,104        | \$ 626,512          | \$ 659,407          | -4.99%        |
| Operating grants                      | 801,947                 | 686,300             | 67,478                   | 59,471            | 869,425             | 745,771             | 16.58%        |
| General revenues                      |                         |                     |                          |                   |                     |                     |               |
| Property tax                          | 1,798,769               | 1,759,431           | -                        | -                 | 1,798,769           | 1,759,431           | 2.24%         |
| Statewide sales, services and use tax | 460,294                 | 408,427             | -                        | -                 | 460,294             | 408,427             | 12.70%        |
| Unrestricted state grants             | 1,488,616               | 1,791,288           | -                        | -                 | 1,488,616           | 1,791,288           | -16.90%       |
| Contributions and donations           | 1,324                   | 902                 | -                        | -                 | 1,324               | 902                 | 46.78%        |
| Unrestricted investment earnings      | 15,380                  | 20,185              | 3                        | 5                 | 15,383              | 20,190              | -23.81%       |
| Other                                 | <u>36,797</u>           | <u>7,653</u>        | <u>-</u>                 | <u>-</u>          | <u>36,797</u>       | <u>7,653</u>        | 380.82%       |
| Total revenues                        | <u>5,080,335</u>        | <u>5,188,489</u>    | <u>216,785</u>           | <u>204,580</u>    | <u>5,297,120</u>    | <u>5,393,069</u>    | -1.78%        |
| Program expenses                      |                         |                     |                          |                   |                     |                     |               |
| Governmental activities               |                         |                     |                          |                   |                     |                     |               |
| Instruction                           | 2,692,177               | 2,873,440           | -                        | -                 | 2,692,177           | 2,873,440           | -6.31%        |
| Support services                      | 1,249,165               | 1,283,776           | -                        | -                 | 1,249,165           | 1,283,776           | -2.70%        |
| Non-instructional programs            | -                       | -                   | 218,702                  | 199,606           | 218,702             | 199,606             | 9.57%         |
| Other expenses                        | <u>802,017</u>          | <u>350,658</u>      | <u>-</u>                 | <u>-</u>          | <u>802,017</u>      | <u>350,658</u>      | 128.72%       |
| Total expenses                        | <u>4,743,359</u>        | <u>4,507,874</u>    | <u>218,702</u>           | <u>199,606</u>    | <u>4,962,061</u>    | <u>4,707,480</u>    | 5.41%         |
| Change in net assets                  | 336,976                 | 680,615             | (1,917)                  | 4,974             | 335,059             | 685,589             | -51.13%       |
| Transfers                             | (23,849)                | -                   | 23,849                   | -                 | -                   | -                   | 0.00%         |
| Net assets, beginning of year         | <u>2,370,230</u>        | <u>1,689,615</u>    | <u>(1,419)</u>           | <u>(6,393)</u>    | <u>2,368,811</u>    | <u>1,683,222</u>    | 40.73%        |
| Net assets, end of year               | <u>\$ 2,683,357</u>     | <u>\$ 2,370,230</u> | <u>\$ 20,513</u>         | <u>\$ (1,419)</u> | <u>\$ 2,703,870</u> | <u>\$ 2,368,811</u> | 14.14%        |

In fiscal 2010, property tax and unrestricted state grants account for 64% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for almost 100% of the revenue from business type activities.

The District's total revenues were \$5,297,120 of which \$5,080,335 was for governmental activities and \$216,785 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 2% decrease in revenues and a 5% increase in expenses. Unrestricted state grants decreased by \$302,672 due largely to the 10% state across the board cut in funding and declining enrollment. The majority of the 5% increase in expense is due to added facility acquisition costs and associated Sales Tax Revenue Bond interest and fiscal charges incurred during FY2010.

## Governmental Activities

Revenues for governmental activities were \$5,080,335 and expenses were \$4,743,359 for the year ended June 30, 2010. The District was able to balance the budget by reducing expenses by reducing staff and operational expenses, thereby, increasing the District's cash balance.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2010.

Figure A-5

|                  | Total and Net Cost of Governmental Activities |                     |                  |                      |                     |                  |
|------------------|---|---------------------|------------------|----------------------|---------------------|------------------|
|                  | Total Cost of Services                        |                     |                  | Net Cost of Services |                     |                  |
|                  |   |                     | Change           |                      |                     | Change           |
|                  | <u>2010</u>                                   | <u>2009</u>         | <u>2009-2010</u> | <u>2010</u>          | <u>2009</u>         | <u>2009-2010</u> |
| Instruction      | \$ 2,692,177                                  | \$ 2,873,440        | -6.3%            | \$ 1,596,825         | \$ 1,865,483        | -14.4%           |
| Support services | 1,249,165                                     | 1,283,776           | -2.7%            | 1,240,377            | 1,275,666           | -2.8%            |
| Other expenses   | <u>802,017</u>                                | <u>350,658</u>      | 128.7%           | <u>627,002</u>       | <u>166,122</u>      | 277.4%           |
| Total expenses   | <u>\$ 4,743,359</u>                           | <u>\$ 4,507,874</u> | 5.2%             | <u>\$ 3,464,204</u>  | <u>\$ 3,307,271</u> | 4.7%             |

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$477,208.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$801,947.
- The net cost of governmental activities was financed with \$2,259,063 in property and other taxes and \$1,488,616 in unrestricted state grants.

## Business Type Activities

Revenues for business type activities for the year ended June 30, 2010 were \$216,785 representing 5% increase over the prior year and expenses totaled \$218,702, a 9% increase over the prior year. The District's business type activities include the School Nutrition Fund and Preschool Fund. Revenues of these activities were comprised of charges for services, tuition, federal and state reimbursements and investment income.

The increase in revenue is due to the increase in enrollment in the District's Preschool Program during the fiscal year 2010. The increase in expenses is due to the increased 2009/2010 salaries and benefits. In the School Nutrition Program for the 2009/2010 school year the increase in revenues was due largely to an increase in state and federal reimbursements and in nutrition program sales.

## INDIVIDUAL FUND ANALYSIS

As previously noted, Springville Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,141,422, well below last year's ending fund balances of \$4,983,179. The primary reason for the decrease of \$1,841,757 in combined fund balances in fiscal 2010 is due to using bond proceeds from the previous year to fund a construction project in 2010.

#### **Governmental Fund Highlights**

- The District's improving General Fund financial position is the result of many factors. Growth during the year in property tax valuations and increase in property tax levies resulted in an increase in revenues. A reduction in state sources was offset by increases in local property tax and federal grant revenue. The District was also able to keep expenditures in check by decreasing operational expenditures and reduction in staff.
- The General Fund balance increased from \$628,108 to \$817,378, due in part to the increase in the District tax base, the reduction of expenditures, and the reduction in staff.
- The Capital Projects Fund balance decreased from \$4,201,693 to \$1,807,485 due to the construction project expenses in 2010.

#### **Proprietary Fund Highlights**

Enterprise Fund net assets increased from \$(1,419) at June 30, 2009 to \$20,513 at June 30, 2010, representing an increase of more than 100%. The increase in net assets is due to a transfer from the General Fund to be repaid by the Preschool Fund. FY11 is the first year the District will receive funding from the State Preschool Grant. It is anticipated that the Preschool Fund balance will increase due to salaries and benefits being paid from the State Preschool Grant (General Fund), therefore allowing the Preschool Fund to reimburse the transfer from the General Fund.

#### **BUDGETARY HIGHLIGHTS**

The District did not amend its annual budget during the year ended June 30, 2010.

The District's revenues were \$869,701 less than budgeted revenues, a variance of 14%. The most significant variance resulted from the District receiving less in state revenue sources than anticipated.

Total expenditures were \$2,614,500 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at near the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. Expenses for facilities acquisition and construction were projected too high for FY10, as a result the expenditures to finish the project will largely incur in FY11.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2010, the District had invested \$3,281,375, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of approximately 164% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$136,852.

The original cost of the District's capital assets was \$6,856,015. Governmental funds account for \$6,796,733, with the remainder of \$59,282 accounted for in the Proprietary, School Nutrition Fund.

The largest change was in the buildings and improvements category, which increased from \$645,784 at June 30, 2009 to \$2,730,097 at June 30, 2010 due to the construction project completed during fiscal year 2010.

Figure A-6

|                            | Capital Assets, Net of Depreciation |                     |                  |                  |                     |                     |                  |
|----------------------------|-------------------------------------|---------------------|------------------|------------------|---------------------|---------------------|------------------|
|                            | Governmental                        |                     | Business Type    |                  | Total               |                     | Total            |
|                            | Activities                          |                     | Activities       |                  | District            |                     | Change           |
|                            | <u>2010</u>                         | <u>2009</u>         | <u>2010</u>      | <u>2009</u>      | <u>2010</u>         | <u>2009</u>         | <u>2009-2010</u> |
| Land                       | \$ 332,167                          | \$ 332,167          | \$ -             | \$ -             | \$ 332,167          | \$ 332,167          | 0.00%            |
| Buildings and improvements | 2,730,097                           | 645,784             | -                | -                | 2,730,097           | 645,784             | 322.76%          |
| Site improvements          | 14,096                              | 10,114              | -                | -                | 14,096              | 10,114              | 39.37%           |
| Furniture and equipment    | <u>186,320</u>                      | <u>244,236</u>      | <u>18,695</u>    | <u>12,129</u>    | <u>205,015</u>      | <u>256,365</u>      | -20.03%          |
| Totals                     | <u>\$ 3,262,680</u>                 | <u>\$ 1,232,301</u> | <u>\$ 18,695</u> | <u>\$ 12,129</u> | <u>\$ 3,281,375</u> | <u>\$ 1,244,430</u> | 163.68%          |

### Long-Term Debt

At June 30, 2010, the District had \$3,812,941 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

The District continues to carry a general obligation bond rating of "A-" assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$4.7 million.

Figure A-7

| Outstanding Long-term Obligations |                     |                     |                  |
|-----------------------------------|---------------------|---------------------|------------------|
|                                   | Total               |                     | Total            |
|                                   | School District     |                     | Change           |
|                                   | <u>2010</u>         | <u>2009</u>         | <u>2009-2010</u> |
| General obligation bonds          | \$ -                | \$ 130,000          | -100.00%         |
| Revenue bonds                     | 3,585,000           | 3,585,000           | 100.00%          |
| Capital loan notes                | 185,000             | 240,000             | -22.92%          |
| Termination benefits              | 15,941              | 47,416              | -66.38%          |
| Net OPEB liability                | <u>27,000</u>       | <u>-</u>            | 100.00%          |
| Total                             | <u>\$ 3,812,941</u> | <u>\$ 4,002,416</u> | -4.73%           |

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Fiscal 2010 was the second year of a two-year contract with the Springville Education Teacher Association (SETA). The District will negotiate a new agreement during fiscal 2011. The Master Contract language is negotiated every 2 years, however salaries and benefits are negotiated annually. Settlements in excess of “new money” or allowable growth in state funding could have an adverse effect on the District’s General Fund budget and related fund balance.
- The District’s certified enrollment on October 1, 2010 was down 25.1 students. In response to this the district is taking the steps necessary to be prepared for the negative impact on the district financially in the 2010/11 school year. There is potential for growth and the district is hopeful that this decline enrollment is only temporary. The State projections show the District’s enrollment steady.
- The District is also taking measures to protect the General Fund budget with the 2010/11 reduction in allowable growth funding and future State/Federal budget cuts by administering staff reductions as well as exploring sharing incentives with other school districts.
- The employer share of the IPERS benefit will increase 1.12% for the 2011/2012 school year.
- The 10% state budget cut results in significantly less general fund revenue which shifts the funding resources to property taxes. As a result of these lost revenues, the District will explore all opportunities to reduce expenditures.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Stacey Matus, District Secretary/Treasurer and Business Manager, Springville Community School District, 400 Academy Street, Springville, Iowa 52336.

## Basic Financial Statements

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2010

Exhibit A

| <b>Assets</b>                                   | Governmental<br><u>Activities</u> | Business Type<br><u>Activities</u> | <u>Total</u>     |
|---|-----------------------------------|------------------------------------|------------------|
| Cash and cash equivalents                       |                                   |                                    |                  |
| Cash with fiscal agent                          | \$ 571,586                        | \$ -                               | \$ 571,586       |
| Other   | 3,108,959                         | 34,877                             | 3,143,836        |
| Receivables                                     |                                   |                                    |                  |
| Property tax                                    |                                   |                                    |                  |
| Delinquent                                      | 21,295                            | -                                  | 21,295           |
| Succeeding year                                 | 1,764,645                         | -                                  | 1,764,645        |
| Accounts receivable                             | 2,448                             | 213                                | 2,661            |
| Accrued interest                                |                                   |                                    |                  |
| ISCAP   | 30                                | -                                  | 30               |
| Income surtax                                   | 129,657                           | -                                  | 129,657          |
| Due from other governments                      | 131,264                           | 2,130                              | 133,394          |
| Due from other funds                            | 18,835                            | -                                  | 18,835           |
| Inventories                                     | -                                 | 3,238                              | 3,238            |
| Non-depreciable capital assets                  | 332,167                           | -                                  | 332,167          |
| Capital assets, net of accumulated depreciation | <u>2,930,513</u>                  | <u>18,695</u>                      | <u>2,949,208</u> |
| Total assets                                    | <u>9,011,399</u>                  | <u>59,153</u>                      | <u>9,070,552</u> |
| <br><b>Liabilities</b>                          |                                   |                                    |                  |
| Accounts payable                                | 338,825                           | 545                                | 339,370          |
| Salaries and benefits payable                   | 326,800                           | 17,382                             | 344,182          |
| Accrued interest payable                        | 84,831                            | -                                  | 84,831           |
| Due to other fund                               | -                                 | 18,835                             | 18,835           |
| Deferred revenue                                |                                   |                                    |                  |
| Succeeding year property tax                    | 1,764,645                         | -                                  | 1,764,645        |
| Other   | -                                 | 1,878                              | 1,878            |
| Long-term liabilities                           |                                   |                                    |                  |
| Portion due within one year                     |                                   |                                    |                  |
| Revenue bonds payable                           | 160,000                           | -                                  | 160,000          |
| Capital loan notes payable                      | 60,000                            | -                                  | 60,000           |
| Termination benefits payable                    | 8,699                             | -                                  | 8,699            |
| Portion due after one year                      |                                   |                                    |                  |
| Revenue bonds payable                           | 3,425,000                         | -                                  | 3,425,000        |
| Capital loan notes payable                      | 125,000                           | -                                  | 125,000          |
| Termination benefits payable                    | 7,242                             | -                                  | 7,242            |
| Net OPEB liability                              | <u>27,000</u>                     | <u>-</u>                           | <u>27,000</u>    |
| Total liabilities                               | <u>6,328,042</u>                  | <u>38,640</u>                      | <u>6,366,682</u> |

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
June 30, 2010

Exhibit A

|   | <u>Governmental<br/>Activities</u> | <u>Business Type<br/>Activities</u> | <u>Total</u>        |
|---|------------------------------------|-------------------------------------|---------------------|
| <b>Net Assets</b>                               |                                    |                                     |                     |
| Invested in capital assets, net of related debt | \$ 928,626                         | \$ 18,695                           | \$ 947,321          |
| Restricted for                                  |                                    |                                     |                     |
| Categorical funding                             | 41,780                             | -                                   | 41,780              |
| Management levy                                 | 77,847                             | -                                   | 77,847              |
| Physical plant and equipment levy               | 142,430                            | -                                   | 142,430             |
| Other special revenue purposes                  | 62,499                             | -                                   | 62,499              |
| Capital projects                                | 371,539                            | -                                   | 371,539             |
| Debt service                                    | 133,011                            | -                                   | 133,011             |
| Unrestricted                                    | 925,625                            | 1,818                               | 927,443             |
| Total net assets                                | <u>\$2,683,357</u>                 | <u>\$ 20,513</u>                    | <u>\$ 2,703,870</u> |

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2010

Exhibit B

|                                    | Program Revenues   |              |  |      | Net (Expense) Revenue<br>and Changes in Net Assets  |                |
|------------------------------------|--|--------------|--|------|---|----------------|
|                                    | Operating Grants,<br>Contributions<br>and Restricted<br>Interest |              | Capital Grants,<br>Contributions<br>and Restricted<br>Interest |      |   |                |
|                                    | Charges<br>for Services  | Expenses     |  |      | Governmental Business Type<br>Activities Activities | Total          |
| <b><u>Functions/Programs</u></b>   |  |              |  |      |   |                |
| Governmental activities            |  |              |  |      |   |                |
| Instruction                        |  |              |  |      |   |                |
| Regular instruction                | \$ 350,777   | \$ 1,985,593 | \$ 558,850   | \$ - | \$ (1,075,966)                                      | \$ (1,075,966) |
| Special instruction                | 20,496   | 428,713      | 57,908   | -    | (350,309)   | (350,309)      |
| Other instruction                  | 101,063  | 277,871      | 6,258  | -    | (170,550)   | (170,550)      |
|                                    | 472,336  | 2,692,177    | 623,016  | -    | (1,596,825)   | (1,596,825)    |
| Support services                   |  |              |  |      |   |                |
| Student                            | -  | 101,732      | 2,652  | -    | (99,080)  | (99,080)       |
| Instructional staff                | -  | 114,944      | -  | -    | (114,944)   | (114,944)      |
| Administration                     | -  | 512,036      | -  | -    | (512,036)   | (512,036)      |
| Operation and maintenance of plant | -  | 371,791      | -  | -    | (371,791)   | (371,791)      |
| Transportation                     | 4,872  | 148,662      | 1,264  | -    | (142,526)   | (142,526)      |
|                                    | 4,872  | 1,249,165    | 3,916  | -    | (1,240,377)   | (1,240,377)    |
| Other expenses                     |  |              |  |      |   |                |
| Facilities acquisition             | -  | 372,495      | -  | -    | (372,495)   | (372,495)      |
| Long-term debt interest            | -  | 181,423      | -  | -    | (181,423)   | (181,423)      |
| AEA flowthrough                    | -  | 175,015      | 175,015  | -    | -   | -              |
| Depreciation (unallocated) *       | -  | 73,084       | -  | -    | (73,084)  | (73,084)       |
|                                    | -  | 802,017      | 175,015  | -    | (627,002)   | (627,002)      |
| Total governmental activities      | 477,208  | 4,743,359    | 801,947  | -    | (3,464,204)   | (3,464,204)    |

See notes to financial statements.

# SPRINGVILLE COMMUNITY SCHOOL DISTRICT

## Statement of Activities

For the Year Ended June 30, 2010

Exhibit B

|  | Program Revenues   |                         |          | Net (Expense) Revenue<br>and Changes in Net Assets        |            |              |
|--|--|-------------------------|----------|---|------------|--------------|
|  | Operating Grants, Contributions<br>and Restricted Interest |                         |          | Governmental Business Type<br>Activities Activities Total |            |              |
|  | Expenses   | Charges<br>for Services | Interest | Activities  | Activities | Total        |
| <b><u>Functions/Programs (continued)</u></b> |  |                         |          |   |            |              |
| Business type activities                     |  |                         |          |   |            |              |
| Non-instructional programs                   |  |                         |          |   |            |              |
| Food service operations                      | \$ 191,254   | \$ 128,361              | \$ -     | \$ -  | \$ 4,585   | \$ 4,585     |
| Preschool program                            | 27,448   | 20,943                  | -        | -   | (6,505)    | (6,505)      |
| Total business type activities               | 218,702  | 149,304                 | -        | -   | (1,920)    | (1,920)      |
| Total  | \$ 4,962,061   | \$ 626,512              | \$ -     | (3,464,204)   | (1,920)    | (3,466,124)  |
| <b><u>General Revenues</u></b>               |  |                         |          |   |            |              |
| Property tax levied for                      |  |                         |          |   |            |              |
| General purposes                             |  |                         |          | 1,508,039   | -          | 1,508,039    |
| Debt service                                 |  |                         |          | 134,140   | -          | 134,140      |
| Capital outlay                               |  |                         |          | 156,590   | -          | 156,590      |
| Statewide sales, services and use tax        |  |                         |          | 460,294   | -          | 460,294      |
| Unrestricted state grants                    |  |                         |          | 1,488,616   | -          | 1,488,616    |
| Contributions and donations                  |  |                         |          | 1,324   | -          | 1,324        |
| Unrestricted investment earnings             |  |                         |          | 15,380  | 3          | 15,383       |
| Other  |  |                         |          | 36,797  | -          | 36,797       |
| Transfers                                    |  |                         |          | (23,849)  | 23,849     | -            |
| Total general revenues and transfers         |  |                         |          | 3,777,331   | 23,852     | 3,801,183    |
| Change in net assets                         |  |                         |          | 313,127   | 21,932     | 335,059      |
| Net assets, beginning of year                |  |                         |          | 2,370,230   | (1,419)    | 2,368,811    |
| Net assets, end of year                      |  |                         |          | \$ 2,683,357  | \$ 20,513  | \$ 2,703,870 |

\* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Exhibit C

Balance Sheet  
Governmental Funds  
June 30, 2010

|                                      |                    | Capital            | Nonmajor         |                    |
|--------------------------------------|--------------------|--------------------|------------------|--------------------|
|                                      | General            | Projects           | Governmental     | Total              |
| <b>Assets</b>                        |                    |                    | Funds            |                    |
| Cash and pooled investments          |                    |                    |                  |                    |
| Cash with fiscal agent               | \$ -               | \$ 327,257         | \$ 244,329       | \$ 571,586         |
| Other                                | 1,232,370          | 1,621,152          | 255,437          | 3,108,959          |
| Receivables                          |                    |                    |                  |                    |
| Property tax                         |                    |                    |                  |                    |
| Delinquent                           | 16,132             | -                  | 5,163            | 21,295             |
| Succeeding year                      | 1,452,157          | -                  | 312,488          | 1,764,645          |
| Accounts receivable                  | 2,212              | -                  | 236              | 2,448              |
| Accrued interest                     |                    |                    |                  |                    |
| ISCAP                                | 30                 | -                  | -                | 30                 |
| Income surtax                        | 129,657            | -                  | -                | 129,657            |
| Due from other governments           | 56,514             | 74,535             | 215              | 131,264            |
| Due from other funds                 | 20,005             | -                  | 44,747           | 64,752             |
| Total assets                         | <u>\$2,909,077</u> | <u>\$2,022,944</u> | <u>\$862,615</u> | <u>\$5,794,636</u> |
| <b>Liabilities and Fund Balances</b> |                    |                    |                  |                    |
| Liabilities                          |                    |                    |                  |                    |
| Accounts payable                     | \$ 118,040         | \$ 215,459         | \$ 5,326         | \$ 338,825         |
| Salaries and benefits payable        | 326,800            | -                  | -                | 326,800            |
| Due to other funds                   | 17,675             | -                  | 28,242           | 45,917             |
| Deferred revenue                     |                    |                    |                  |                    |
| Succeeding year property tax         | 1,452,157          | -                  | 312,488          | 1,764,645          |
| Income surtax                        | 129,657            | -                  | -                | 129,657            |
| Other                                | 47,370             | -                  | -                | 47,370             |
| Total liabilities                    | <u>2,091,699</u>   | <u>215,459</u>     | <u>346,056</u>   | <u>2,653,214</u>   |
| Fund balances                        |                    |                    |                  |                    |
| Reserved for                         |                    |                    |                  |                    |
| Debt service                         | -                  | -                  | 217,842          | 217,842            |
| Categorical funding                  | 41,780             | -                  | -                | 41,780             |
| Unreserved, governmental funds       | 775,598            | 1,807,485          | -                | 2,583,083          |
| Unreserved, special revenue funds    | -                  | -                  | 298,717          | 298,717            |
| Total fund balances                  | <u>817,378</u>     | <u>1,807,485</u>   | <u>516,559</u>   | <u>3,141,422</u>   |
| Total liabilities and fund balances  | <u>\$2,909,077</u> | <u>\$2,022,944</u> | <u>\$862,615</u> | <u>\$5,794,636</u> |

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets  
June 30, 2010

Exhibit D

|  |                    |
|--|--------------------|
| <b>Total fund balances of governmental funds</b> | <b>\$3,141,422</b> |
|--|--------------------|

**Amounts reported for governmental activities in the Statement of Net Assets  
are different because:**

|   |           |
|---|-----------|
| Capital assets used in governmental activities are not financial resources<br>and, therefore, are not reported as assets in the governmental funds. | 3,262,680 |
|---|-----------|

|  |         |
|--|---------|
| Other long-term assets are not available to pay current period expenditures and,<br>therefore, are deferred in the governmental funds. | 177,027 |
|--|---------|

|  |          |
|--|----------|
| Accrued interest payable on long-term liabilities is not due and payable in the<br>current period and, therefore, is not reported as a liability in the governmental<br>funds. | (84,831) |
|--|----------|

|   |                    |
|---|--------------------|
| Long-term liabilities, including bonds and notes payable, termination benefits and<br>other postemployment benefits payable are not due and payable in the current period<br>and, therefore, are not reported as liabilities in the governmental funds. | <u>(3,812,941)</u> |
|---|--------------------|

|  |                                  |
|--|----------------------------------|
| <b>Net assets of governmental activities</b> | <b><u><u>\$2,683,357</u></u></b> |
|--|----------------------------------|

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2010

Exhibit E

|                                    | <u>General</u>   | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total</u>     |
|------------------------------------|------------------|-----------------------------|--|------------------|
| Revenues                           |                  |                             |  |                  |
| Local sources                      |                  |                             |  |                  |
| Local tax                          | \$ 1,404,147     | \$ 460,294                  | \$ 410,957                                 | \$ 2,275,398     |
| Tuition                            | 349,221          | -                           | -  | 349,221          |
| Other                              | 57,831           | 4,500                       | 112,661                                    | 174,992          |
| State sources                      | 1,960,731        | -                           | -  | 1,960,731        |
| Federal sources                    | 298,143          | -                           | -  | 298,143          |
| Total revenues                     | <u>4,070,073</u> | <u>464,794</u>              | <u>523,618</u>                             | <u>5,058,485</u> |
| Expenditures                       |                  |                             |  |                  |
| Current                            |                  |                             |  |                  |
| Instruction                        |                  |                             |  |                  |
| Regular                            | 1,957,698        | -                           | 14,774                                     | 1,972,472        |
| Special                            | 425,680          | -                           | -  | 425,680          |
| Other                              | 167,623          | -                           | 103,928                                    | 271,551          |
|                                    | <u>2,551,001</u> | <u>-</u>                    | <u>118,702</u>                             | <u>2,669,703</u> |
| Support services                   |                  |                             |  |                  |
| Student                            | 100,736          | -                           | -  | 100,736          |
| Instructional staff                | 109,824          | -                           | -  | 109,824          |
| Administration                     | 468,802          | 7,289                       | 41,147                                     | 517,238          |
| Operation and maintenance of plant | 341,724          | -                           | 27,657                                     | 369,381          |
| Transportation                     | 117,519          | -                           | 6,034                                      | 123,553          |
|                                    | <u>1,138,605</u> | <u>7,289</u>                | <u>74,838</u>                              | <u>1,220,732</u> |
| Other expenditures                 |                  |                             |  |                  |
| Facilities acquisition             | -                | 2,520,155                   | 11,185                                     | 2,531,340        |
| Long-term debt                     |                  |                             |  |                  |
| Principal                          | -                | -                           | 185,000                                    | 185,000          |
| Interest and fiscal charges        | -                | -                           | 99,822                                     | 99,822           |
| AEA flowthrough                    | 175,015          | -                           | -  | 175,015          |
|                                    | <u>175,015</u>   | <u>2,520,155</u>            | <u>296,007</u>                             | <u>2,991,177</u> |
| Total expenditures                 | <u>3,864,621</u> | <u>2,527,444</u>            | <u>489,547</u>                             | <u>6,881,612</u> |

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2010

Exhibit E

|  | <u>General</u>    | <u>Capital<br/>Projects</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Total</u>        |
|--|-------------------|-----------------------------|--|---------------------|
| Excess (deficiency) of revenues<br>over (under) expenditures | \$ 205,452        | \$(2,062,650)               | \$ 34,071                                  | \$(1,823,127)       |
| Other financing sources (uses)                               |                   |                             |  |                     |
| Sale of equipment and materials                              | 5,219             | -                           | -  | 5,219               |
| Interfund operating transfers in                             | 1,875             | -                           | 394,573                                    | 396,448             |
| Interfund operating transfers (out)                          | <u>(23,276)</u>   | <u>(331,558)</u>            | <u>(65,463)</u>                            | <u>(420,297)</u>    |
| Total other financing sources (uses)                         | <u>(16,182)</u>   | <u>(331,558)</u>            | <u>329,110</u>                             | <u>(18,630)</u>     |
| Net change in fund balances                                  | 189,270           | (2,394,208)                 | 363,181                                    | (1,841,757)         |
| Fund balance, beginning of year                              | <u>628,108</u>    | <u>4,201,693</u>            | <u>153,378</u>                             | <u>4,983,179</u>    |
| Fund balance, end of year                                    | <u>\$ 817,378</u> | <u>\$ 1,807,485</u>         | <u>\$ 516,559</u>                          | <u>\$ 3,141,422</u> |

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities  
For the Year Ended June 30, 2010

Exhibit F

**Net change in fund balances - total governmental funds** \$(1,841,757)

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

|                                 |                  |           |
|---------------------------------|------------------|-----------|
| Expenditures for capital assets | \$2,163,525      |           |
| Depreciation expense            | <u>(133,146)</u> | 2,030,379 |

|  |        |
|--|--------|
| Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. | 16,631 |
|--|--------|

|   |         |
|---|---------|
| Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | 185,000 |
|---|---------|

|   |                 |       |
|---|-----------------|-------|
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows: |                 |       |
| Early retirement  | 31,475          |       |
| Other postemployment benefits   | <u>(27,000)</u> | 4,475 |

|  |                 |
|--|-----------------|
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. | <u>(81,601)</u> |
|--|-----------------|

**Change in net assets of governmental activities** \$ 313,127

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Net Assets  
Proprietary Funds  
June 30, 2010

Exhibit G

|   | <u>Nonmajor<br/>Enterprise</u> |
|---|--------------------------------|
| <b>Assets</b>                                   |                                |
| Cash and cash equivalents                       | \$ 34,877                      |
| Accounts receivable                             | 213                            |
| Due from other governments                      | 2,130                          |
| Due from other fund                             | 17,675                         |
| Inventories                                     | 3,238                          |
| Capital assets, net of accumulated depreciation | <u>18,695</u>                  |
| Total assets                                    | <u>76,828</u>                  |
| <b>Liabilities</b>                              |                                |
| Accounts payable                                | 545                            |
| Salaries and benefits payable                   | 17,382                         |
| Due to other fund                               | 36,510                         |
| Deferred revenue                                | <u>1,878</u>                   |
| Total liabilities                               | <u>56,315</u>                  |
| <b>Net Assets</b>                               |                                |
| Invested in capital assets                      | 18,695                         |
| Unrestricted                                    | <u>1,818</u>                   |
| Total net assets                                | <u><u>\$ 20,513</u></u>        |

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2010

Exhibit H

|                                    |                               |
|------------------------------------|-------------------------------|
|                                    | Nonmajor<br><u>Enterprise</u> |
| Operating revenue                  |                               |
| Local sources                      |                               |
| Charges for service                | <u>\$149,304</u>              |
| Operating expenses                 |                               |
| Support services                   |                               |
| Operation and maintenance of plant | <u>4,173</u>                  |
| Non-instructional programs         |                               |
| Food service operations            | 187,081                       |
| Preschool operations               | <u>27,448</u>                 |
|                                    | <u>214,529</u>                |
| Total operating expenses           | <u>218,702</u>                |
| Operating loss                     | <u>(69,398)</u>               |
| Non-operating revenues             |                               |
| Interest income                    | 3                             |
| State sources                      | 1,695                         |
| Federal sources                    | <u>65,783</u>                 |
| Total non-operating revenues       | <u>67,481</u>                 |
| Net loss before transfers          | (1,917)                       |
| Transfers in                       | <u>23,849</u>                 |
| Net income                         | 21,932                        |
| Net assets, beginning of year      | <u>(1,419)</u>                |
| Net assets, end of year            | <u><u>\$ 20,513</u></u>       |

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2010

Exhibit I

|  |                               |
|--|-------------------------------|
|  | Nonmajor<br><u>Enterprise</u> |
| Cash flows from operating activities                     |                               |
| Cash received from sale of services                      | \$ 149,259                    |
| Cash payments to employees for services                  | (115,664)                     |
| Cash payments to suppliers for goods and services        | <u>(101,517)</u>              |
| Net cash used in operating activities                    | <u>(67,922)</u>               |
| Cash flows from non-capital financing activities         |                               |
| Operating transfers in                                   | 23,849                        |
| State grants received                                    | 1,695                         |
| Federal grants received                                  | <u>51,749</u>                 |
| Net cash provided by non-capital financing activities    | <u>77,293</u>                 |
| Cash flows from capital and related financing activities |                               |
| Acquisition of capital assets                            | <u>(9,250)</u>                |
| Cash flows from investing activities                     |                               |
| Interest on investments                                  | <u>3</u>                      |
| Net increase in cash and cash equivalents                | 124                           |
| Cash and cash equivalents, beginning of year             | <u>34,753</u>                 |
| Cash and cash equivalents, end of year                   | <u><u>\$ 34,877</u></u>       |

**Reconciliation of operating loss to net cash  
used in operating activities**

|   |                           |
|---|---------------------------|
| Operating loss  | \$ (69,398)               |
| Adjustments to reconcile operating loss to<br>net cash used in operating activities |                           |
| Depreciation  | 3,706                     |
| Commodities used  | 11,904                    |
| (Increase) in accounts receivable   | (160)                     |
| (Increase) in due from other fund   | (17,675)                  |
| (Increase) in due from other governments  | (2,130)                   |
| Decrease in inventory   | 932                       |
| (Decrease) in due to other fund   | (1,476)                   |
| Increase (decrease) in accounts payable   | 522                       |
| Increase in deferred revenue  | 115                       |
| Increase in accrued salaries and benefits   | <u>5,738</u>              |
| Net cash used in operating activities   | <u><u>\$ (67,922)</u></u> |

**Non-cash investing, capital and related financing activities**

During the year ended June 30, 2010 the District received \$11,904 of federal commodities.

See notes to financial statements.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Financial Statements  
June 30, 2010

**Note 1. Summary of Significant Accounting Policies**

The Springville Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Springville, Iowa, and the agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, Springville Community School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The Springville Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

**B. Basis of Presentation**

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports no major proprietary funds. However, it reports two non-major enterprise funds, the School Nutrition Fund and Preschool Fund, which are used to account for the school nutrition and preschool operations, respectively of the district.

#### C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and termination benefits are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than twelve months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1 ½ % per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives

are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

| <u>Asset Class</u>                | <u>Amount</u> |
|-----------------------------------|---------------|
| Land                              | \$ 2,500      |
| Buildings                         | \$ 2,500      |
| Improvements other than buildings | \$ 2,500      |
| Intangibles                       | \$25,000      |
| Furniture and equipment:          |               |
| School Nutrition Fund equipment   | \$ 500        |
| Other furniture and equipment     | \$ 2,500      |

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

| <u>Asset Class</u>                | <u>Useful Life</u> |
|-----------------------------------|--------------------|
| Buildings & Improvements          | 50 years           |
| Improvements other than buildings | 20-50 years        |
| Intangibles                       | 5-10 years         |
| Furniture and equipment           | 5-15 years         |

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2010. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent federal grant proceeds, as well as property tax and income surtax receivables not collected within sixty days after year end and amounts paid by students for meals not yet served.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and amounts paid by students for meals not yet served.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Net Assets - Invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets consist of net assets with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$220,277 of net assets, which are restricted by enabling legislation.

#### E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

### **Note 2. Cash and Pooled Investments**

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2010, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,515,301 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

### Note 3. Due From and Due To Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

| <u>Receivable Fund</u>         | <u>Payable Fund</u>         | <u>Amount</u>    |
|--------------------------------|-----------------------------|------------------|
| Non-major special revenue fund | Non-major governmental fund |                  |
| Management levy                | Debt service                | \$ 28,242        |
| Non-major special revenue fund | Non-major enterprise fund   |                  |
| Student activity               | Preschool                   | 16,505           |
|                                | Non-major enterprise fund   |                  |
| General                        | School nutrition            | <u>20,005</u>    |
|                                |                             | <u>\$ 64,752</u> |

The Debt Service Fund and Preschool Fund had outstanding warrants issued in excess of the funds' portions of shared bank accounts. Therefore, the negative cash balances are reported as interfund receivables/payables. The School Nutrition Fund owed General Fund for salaries and benefits paid by General Fund and not reimbursed by School Nutrition Fund at June 30, 2010. These interfund receivables/payables are expected to be repaid during the year ending June 30, 2011.

### Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

| <u>Fund</u>                     | <u>Transfers</u>  |                   |
|---------------------------------|-------------------|-------------------|
|                                 | <u>In</u>         | <u>Out</u>        |
| Capital Projects Fund           | \$ -              | \$ 331,558        |
| General Fund                    | 1,875             | 23,276            |
| Non-major governmental funds    | 394,573           | -                 |
| Non-major special revenue funds | -                 | 65,463            |
| Non-major enterprise funds      | <u>23,849</u>     | <u>-</u>          |
| Total                           | <u>\$ 420,297</u> | <u>\$ 420,297</u> |

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. These transfers were to move funds from the Physical Plant and Equipment Levy Fund and Capital Projects Fund to the Debt Service Fund for payment of principal and interest on debt. Transfers between Student Activity Fund and the General Fund, from the General Fund to the Preschool Fund and from the Student Activity Fund to the School Nutrition Fund were to correct miscoding of expenditures.

## Note 5. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The interest rate on the Series 2009-10B warrants is a variable rate, calculated daily based upon the Bankers Trust Co. NA prime rate plus 50 basis points with a minimum interest rate of 4.50%. The District did not have any ISCAP advances or repayments during the year ended June 30, 2010.

During the year ended June 30, 2010, the District paid \$9,582 of interest on the ISCAP warrants.

## Note 6. Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

|   | Balance,<br>Beginning<br>of Year | Additions    | Adjustments | Balance,<br>End of<br>Year |
|---|----------------------------------|--------------|-------------|----------------------------|
| <u>Governmental activities</u>              |                                  |              |             |                            |
| Capital assets not being depreciated:       |                                  |              |             |                            |
| Land  | \$ 332,167                       | \$ -         | \$ -        | \$ 332,167                 |
| Capital assets being depreciated:           |                                  |              |             |                            |
| Buildings and improvements                  | 2,976,589                        | 2,154,554    | -           | 5,131,143                  |
| Site improvements                           | 11,159                           | 4,291        | -           | 15,450                     |
| Furniture and equipment                     | 1,313,293                        | 4,680        | -           | 1,317,973                  |
| Total capital assets being depreciated      | 4,301,041                        | 2,163,525    | -           | 6,464,566                  |
| Less accumulated depreciation for:          |                                  |              |             |                            |
| Buildings and improvements                  | 2,330,805                        | 70,241       | -           | 2,401,046                  |
| Site improvements                           | 1,045                            | 309          | -           | 1,354                      |
| Furniture and equipment                     | 1,069,057                        | 62,596       | -           | 1,131,653                  |
| Total accumulated depreciation              | 3,400,907                        | 133,146      | -           | 3,534,053                  |
| Total capital assets being depreciated, net | 900,134                          | 2,030,379    | -           | 2,930,513                  |
| Governmental activities capital assets, net | \$ 1,232,301                     | \$ 2,030,379 | \$ -        | \$ 3,262,680               |

Business type activities

|  |                  |                 |                 |                  |
|--|------------------|-----------------|-----------------|------------------|
| Furniture and equipment                      | \$ 47,706        | \$ 11,576       | \$ -            | \$ 59,282        |
| Less accumulated depreciation                | <u>35,577</u>    | <u>3,706</u>    | <u>1,304</u>    | <u>40,587</u>    |
| Business type activities capital assets, net | <u>\$ 12,129</u> | <u>\$ 7,870</u> | <u>\$ 1,304</u> | <u>\$ 18,695</u> |

Depreciation expense was charged to the following functions:

**Governmental activities**

|  |                   |
|--|-------------------|
| Instruction  |                   |
| Regular  | \$ 20,085         |
| Other  | 4,385             |
| Support services                                   |                   |
| Instructional staff                                | 4,275             |
| Administration                                     | 1,287             |
| Operation and maintenance of plant                 | 5,643             |
| Transportation                                     | <u>24,387</u>     |
|  | 60,062            |
| Unallocated depreciation                           | <u>73,084</u>     |
| Total governmental activities depreciation expense | <u>\$ 133,146</u> |

**Business type activities**

|               |                 |
|---------------|-----------------|
| Food services | <u>\$ 3,706</u> |
|---------------|-----------------|

**Note 7. Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2010 are summarized as follows:

|                                | Balance,<br>Beginning<br>of Year | Additions        | Reductions         | Balance,<br>End<br>of Year | Due<br>Within<br>One Year |
|--------------------------------|----------------------------------|------------------|--------------------|----------------------------|---------------------------|
| <u>Governmental activities</u> |                                  |                  |                    |                            |                           |
| General obligation bonds       | \$ 130,000                       | \$ -             | \$(130,000)        | \$ -                       | \$ -                      |
| Revenue bonds                  | 3,585,000                        | -                | -                  | 3,585,000                  | 160,000                   |
| Capital loan notes             | 240,000                          | -                | (55,000)           | 185,000                    | 60,000                    |
| Early retirement               | 47,416                           | -                | (31,475)           | 15,941                     | 8,699                     |
| Net OPEB liability             | <u>-</u>                         | <u>27,000</u>    | <u>-</u>           | <u>27,000</u>              | <u>-</u>                  |
| Totals                         | <u>\$ 4,002,416</u>              | <u>\$ 27,000</u> | <u>\$(216,475)</u> | <u>\$ 3,812,941</u>        | <u>\$ 228,699</u>         |

Interest costs incurred and charged to expense on all long-term debt was \$181,423 for the year ended June 30, 2010. During the year ended June 30, 2010, the District made principal payments on total long-term debt of \$185,000.

## Revenue Bonds

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

| Year<br>Ending<br>June 30, | Bond issue of June 25, 2009 |                     |                     |                     |
|----------------------------|-----------------------------|---------------------|---------------------|---------------------|
|                            | Interest<br>Rates           | Interest            | Principal           | Total               |
| 2011                       | 4.00%                       | \$ 165,457          | \$ 160,000          | \$ 325,457          |
| 2012                       | 4.00%                       | 158,957             | 165,000             | 323,957             |
| 2013                       | 4.00%                       | 152,258             | 170,000             | 322,258             |
| 2014                       | 4.00%                       | 146,457             | 120,000             | 266,457             |
| 2015                       | 4.00%                       | 141,557             | 125,000             | 266,557             |
| 2016-2020                  | 4.0-4.375%                  | 625,332             | 730,000             | 1,355,332           |
| 2021-2025                  | 4.5-5.0%                    | 444,238             | 925,000             | 1,369,238           |
| 2026-2030                  | 5.0-5.5%                    | <u>170,500</u>      | <u>1,190,000</u>    | <u>1,360,500</u>    |
| Totals                     |                             | <u>\$ 2,004,756</u> | <u>\$ 3,585,000</u> | <u>\$ 5,589,756</u> |

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,585,000 of bonds issued in June 2010. The bonds were issued to finance upgrades to the HVAC system at the buildings. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 80% of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,589,756. For the current year, no principal and \$87,140 of interest was paid on the bonds and statewide sales, services and use tax revenues was \$460,294.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$327,257 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2010.

### Capital Loan Notes

On June 18, 2004, the District issued capital loan notes in the amounts of \$550,000. Proceeds of the notes were used for improvements to the heating and cooling system at the elementary building. The capital loan notes are scheduled to be repaid as follows:

| Year<br>Ending  | Interest<br>Rate | Principal         | Interest         | Total             |
|-----------------|------------------|-------------------|------------------|-------------------|
| <u>June 30,</u> | <u>Rate</u>      | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
| 2011            | 3.10%            | \$ 60,000         | \$ 6,020         | \$ 66,020         |
| 2012            | 3.25%            | 60,000            | 4,160            | 64,160            |
| 2013            | 3.40%            | 65,000            | 2,210            | 67,210            |
| Totals          |                  | <u>\$ 185,000</u> | <u>\$ 12,390</u> | <u>\$ 197,390</u> |

### Termination Benefits

The District offers a voluntary early retirement plan to its certified employees. Eligible employees are required to be at least 55 years of age and have completed 15 years of consecutive service to the District. Employees must have completed an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to one-half of the employee's salary for the year in which he/she applies to participate in the early retirement plan. The retiree receives the early retirement benefits in three equal payments with the first payment being made on or before July 2 in the calendar year in which the employee is approved for early retirement. The retiree may elect to leave their benefit in the Management Fund to be used to pay the retiree's medical insurance until the benefit is completely used.

At June 30, 2010, the District had obligations to two participants with a total liability of \$15,941. Actual early retirement expenditures for the year ended June 30, 2010 totaled \$31,475.

### **Note 8. Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 4.30%, 4.10 % and 3.90% of their annual covered salary and the District was required to contribute 6.65%, 6.35% and 6.05% of annual covered payroll for the years ended June 30, 2010, 2009 and 2008 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$142,110, \$138,604 and \$133,688, respectively, equal to the required contributions for each year.

## Note 9. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 55 active, and 5 retired members in the plan. Participants must be age 61 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy – The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

|  |                         |
|--|-------------------------|
| Annual required contribution               | \$ 50,000               |
| Interest on net OPEB obligation            | -                       |
| Adjustment to annual required contribution | <u>-</u>                |
| Annual OPEB cost                           | 50,000                  |
| Contributions made                         | <u>(23,000)</u>         |
| Increase in net OPEB obligation            | 27,000                  |
| Net OPEB obligation beginning of year      | <u>-</u>                |
| Net OPEB obligation end of year            | <u><u>\$ 27,000</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$23,000 to the medical plan. Plan members eligible for benefits contributed nothing to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

| <u>Year Ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-------------------|-------------------------|---|----------------------------|
| 06/30/10          | \$50,000                | 46.0%   | \$27,000                   |

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$290,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$290,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.2 million and the ratio of UAAL to covered payroll was 13.2%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduced .5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP-2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

#### **Note 10. Risk Management**

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 11. Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$175,015 adjusting entry to the cash basis financial statements.

#### **Note 12. Deficit Balances**

The District's Preschool Fund had a net asset deficit of \$5,388 at June 30, 2010.

#### **Note 13. Contingencies**

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2010, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

#### **Note 14. New Governmental Accounting Standards Board (GASB) Statements**

The District implemented the following statements during the year ended June 30, 2010:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports. The effect of the adoption of this Statement to the

District was to record a liability of \$27,000 for the net other postemployment benefit obligation. The actuarial accrued liability is estimated by an actuary to be \$290,000.

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement provides guidance regarding how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This standard provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. This Statement had no effect to the District since the District had no intangible assets to be reported as of June 30, 2010.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in the Statement also addresses hedge accounting requirements. This Statement had no effect to the District. Furthermore, Iowa Code Chapter 128.10 does not authorize districts to invest in derivative instruments.
- GASB Statement No. 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This Statement provides guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It establishes requirements for recognizing and measuring the effects of the bankruptcy process on assets and liabilities, and for classifying changes in those items and related costs. The adoption of this statement had no effect to the District.

As of June 30, 2010, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Issued March 2009, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to improve the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance clarifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which government is bound to observe spending constraints.

- GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 59, Financial Instruments Omnibus, issued June 2010, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investments pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, Accounting and Financial Reporting for Derivative Instruments, and applying the reporting provisions for interest-earning investment contracts of GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investments Pools.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

## Required Supplementary Information

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
 Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual  
 All Governmental Funds and Proprietary Funds  
 Required Supplementary Information  
 For the Year Ended June 30, 2010

|  | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Total<br>Actual    | Budgeted Amounts<br>Original | Final             | Final to<br>Actual<br>Variance |
|--|---------------------------------|--------------------------------|--------------------|------------------------------|-------------------|--------------------------------|
| <b>Revenues</b>                                    |                                 |                                |                    |                              |                   |                                |
| Local sources                                      | \$2,799,611                     | \$149,307                      | \$2,948,918        | \$3,084,609                  | \$3,084,609       | \$ (135,691)                   |
| State sources                                      | 1,960,731                       | 1,695                          | 1,962,426          | 2,680,362                    | 2,680,362         | (717,936)                      |
| Federal sources                                    | 298,143                         | 65,783                         | 363,926            | 380,000                      | 380,000           | (16,074)                       |
| Total revenues                                     | <u>5,058,485</u>                | <u>216,785</u>                 | <u>5,275,270</u>   | <u>6,144,971</u>             | <u>6,144,971</u>  | <u>(869,701)</u>               |
| <b>Expenditures/Expenses</b>                       |                                 |                                |                    |                              |                   |                                |
| Instruction  | 2,669,703                       | -                              | 2,669,703          | 3,464,992                    | 3,464,992         | 795,289                        |
| Support services                                   | 1,220,732                       | 4,173                          | 1,224,905          | 1,756,672                    | 1,756,672         | 531,767                        |
| Non-instructional programs                         | -                               | 214,529                        | 214,529            | 234,498                      | 234,498           | 19,969                         |
| Other expenditures                                 | 2,991,177                       | -                              | 2,991,177          | 4,258,652                    | 4,258,652         | 1,267,475                      |
| Total expenditures/expenses                        | <u>6,881,612</u>                | <u>218,702</u>                 | <u>7,100,314</u>   | <u>9,714,814</u>             | <u>9,714,814</u>  | <u>2,614,500</u>               |
| Deficiency of revenues under expenditures/expenses | (1,823,127)                     | (1,917)                        | (1,825,044)        | (3,569,843)                  | (3,569,843)       | 1,744,799                      |
| Net other financing sources                        | (18,630)                        | 23,849                         | 5,219              | 3,100,000                    | 3,100,000         | (3,094,781)                    |
| Net change in fund balance                         | (1,841,757)                     | 21,932                         | (1,819,825)        | (469,843)                    | (469,843)         | (1,349,982)                    |
| Balance, beginning of year                         | 4,983,179                       | (1,419)                        | 4,981,760          | 919,848                      | 919,848           | 4,061,912                      |
| Balance, end of year                               | <u>\$3,141,422</u>              | <u>\$ 20,513</u>               | <u>\$3,161,935</u> | <u>\$ 450,005</u>            | <u>\$ 450,005</u> | <u>\$2,711,930</u>             |

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Notes to Required Supplementary Information – Budgetary Reporting  
For the Year Ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. The District did not amend its budget during the year ended June 30, 2009.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures or expenses known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not adopt any budget amendments.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Funding Progress for the  
Retiree Health Plan  
Required Supplementary Information

| Year<br>Ended<br>June 30, | Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|---------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 2010                      | July 1, 2009                   | \$ -                                   | \$290,000   | \$290,000                          | \$ -                     | \$2,205,110               | 13.2%   |

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

## Other Supplementary Information

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010

Schedule 1

|                                      | <u>Special Revenue</u> |                   |                  |                  |                  |
|--------------------------------------|------------------------|-------------------|------------------|------------------|------------------|
|                                      | <u>Student</u>         | <u>Management</u> | <u>Physical</u>  | <u>Debt</u>      |                  |
|                                      | <u>Activity</u>        | <u>Levy</u>       | <u>Plant and</u> | <u>Service</u>   | <u>Total</u>     |
|                                      |                        |                   | <u>Equipment</u> |                  |                  |
|                                      |                        |                   | <u>Levy</u>      |                  |                  |
| <b>Assets</b>                        |                        |                   |                  |                  |                  |
| Cash and pooled investments          |                        |                   |                  |                  |                  |
| Cash with fiscal agent               | \$ -                   | \$ -              | \$ -             | \$244,329        | \$244,329        |
| Other                                | 51,084                 | 63,972            | 140,381          | -                | 255,437          |
| Receivables                          |                        |                   |                  |                  |                  |
| Property tax                         |                        |                   |                  |                  |                  |
| Delinquent                           | -                      | 1,511             | 1,967            | 1,685            | 5,163            |
| Succeeding year                      | -                      | 150,000           | 162,488          | -                | 312,488          |
| Accounts receivable                  | 236                    | -                 | -                | -                | 236              |
| Due from other governments           | -                      | 63                | 82               | 70               | 215              |
| Due from other funds                 | 16,505                 | 28,242            | -                | -                | 44,747           |
| Total assets                         | <u>\$67,825</u>        | <u>\$243,788</u>  | <u>\$304,918</u> | <u>\$246,084</u> | <u>\$862,615</u> |
| <b>Liabilities and Fund Balances</b> |                        |                   |                  |                  |                  |
| Liabilities                          |                        |                   |                  |                  |                  |
| Accounts payable                     | \$ 5,326               | \$ -              | \$ -             | \$ -             | \$ 5,326         |
| Due to other funds                   | -                      | -                 | -                | 28,242           | 28,242           |
| Deferred revenue                     |                        |                   |                  |                  |                  |
| Succeeding year property tax         | -                      | 150,000           | 162,488          | -                | 312,488          |
| Total liabilities                    | <u>5,326</u>           | <u>150,000</u>    | <u>162,488</u>   | <u>28,242</u>    | <u>346,056</u>   |
| Fund balances                        |                        |                   |                  |                  |                  |
| Reserved for debt service            | -                      | -                 | -                | 217,842          | 217,842          |
| Unreserved fund balances             | 62,499                 | 93,788            | 142,430          | -                | 298,717          |
| Total fund balances                  | <u>62,499</u>          | <u>93,788</u>     | <u>142,430</u>   | <u>217,842</u>   | <u>516,559</u>   |
| Total liabilities and fund balances  | <u>\$67,825</u>        | <u>\$243,788</u>  | <u>\$304,918</u> | <u>\$246,084</u> | <u>\$862,615</u> |

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2010

Schedule 2

|  | Special Revenue  |                  |                                    |                  |                  |
|--|------------------|------------------|------------------------------------|------------------|------------------|
|  | Student          | Management       | Physical<br>Plant and<br>Equipment | Debt             |                  |
|  | <u>Activity</u>  | <u>Levy</u>      | <u>Levy</u>                        | <u>Service</u>   | <u>Total</u>     |
| Revenues   |                  |                  |                                    |                  |                  |
| Local sources  |                  |                  |                                    |                  |                  |
| Local taxes  | \$ -             | \$120,228        | \$156,590                          | \$134,139        | \$410,957        |
| Other  | 101,326          | 8,962            | 1,321                              | 1,052            | 112,661          |
| Total revenues   | <u>101,326</u>   | <u>129,190</u>   | <u>157,911</u>                     | <u>135,191</u>   | <u>523,618</u>   |
| Expenditures   |                  |                  |                                    |                  |                  |
| Current  |                  |                  |                                    |                  |                  |
| Instruction  |                  |                  |                                    |                  |                  |
| Regular  | -                | 14,774           | -                                  | -                | 14,774           |
| Other  | 103,928          | -                | -                                  | -                | 103,928          |
| Total instruction  | <u>103,928</u>   | <u>14,774</u>    | <u>-</u>                           | <u>-</u>         | <u>118,702</u>   |
| Support services   |                  |                  |                                    |                  |                  |
| Administration   | -                | 41,147           | -                                  | -                | 41,147           |
| Operation and maintenance of plant                           | -                | 27,657           | -                                  | -                | 27,657           |
| Transportation   | -                | 6,034            | -                                  | -                | 6,034            |
| Total support services                                       | <u>-</u>         | <u>74,838</u>    | <u>-</u>                           | <u>-</u>         | <u>74,838</u>    |
| Other expenditures   |                  |                  |                                    |                  |                  |
| Facilities acquisition                                       | -                | -                | 11,185                             | -                | 11,185           |
| Long-term debt   |                  |                  |                                    |                  |                  |
| Principal  | -                | -                | -                                  | 185,000          | 185,000          |
| Interest and fiscal charges                                  | -                | -                | -                                  | 99,822           | 99,822           |
| Total other expenditures                                     | <u>-</u>         | <u>-</u>         | <u>11,185</u>                      | <u>284,822</u>   | <u>296,007</u>   |
| Total expenditures   | <u>103,928</u>   | <u>89,612</u>    | <u>11,185</u>                      | <u>284,822</u>   | <u>489,547</u>   |
| Excess (deficiency) of revenues over<br>(under) expenditures | <u>(2,602)</u>   | <u>39,578</u>    | <u>146,726</u>                     | <u>(149,631)</u> | <u>34,071</u>    |
| Other financing sources (uses)                               |                  |                  |                                    |                  |                  |
| Interfund operating transfers in                             | -                | -                | -                                  | 394,573          | 394,573          |
| Interfund operating transfers (out)                          | (2,448)          | -                | (63,015)                           | -                | (65,463)         |
| Total other financing sources (uses)                         | <u>(2,448)</u>   | <u>-</u>         | <u>(63,015)</u>                    | <u>394,573</u>   | <u>329,110</u>   |
| Net change in fund balances                                  | (5,050)          | 39,578           | 83,711                             | 244,942          | 363,181          |
| Fund balances, beginning of year                             | 67,549           | 54,210           | 58,719                             | (27,100)         | 153,378          |
| Fund balances, end of year                                   | <u>\$ 62,499</u> | <u>\$ 93,788</u> | <u>\$142,430</u>                   | <u>\$217,842</u> | <u>\$516,559</u> |

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Net Assets  
Nonmajor Enterprise Funds  
June 30, 2010

Schedule 3

|   | School<br><u>Nutrition</u> | <u>Preschool</u> | <u>Total</u>    |
|---|----------------------------|------------------|-----------------|
| <b>Assets</b>                                   |                            |                  |                 |
| Cash and cash equivalents                       | \$34,877                   | \$ -             | \$34,877        |
| Accounts receivable                             | 213                        | -                | 213             |
| Due from other governments                      | 2,130                      | -                | 2,130           |
| Due from other fund                             | -                          | 17,675           | 17,675          |
| Inventories                                     | 3,238                      | -                | 3,238           |
| Capital assets, net of accumulated depreciation | <u>18,695</u>              | <u>-</u>         | <u>18,695</u>   |
| Total assets                                    | <u>59,153</u>              | <u>17,675</u>    | <u>76,828</u>   |
| <b>Liabilities</b>                              |                            |                  |                 |
| Accounts payable                                | 545                        | -                | 545             |
| Salaries and benefits payable                   | 10,824                     | 6,558            | 17,382          |
| Due to other fund                               | 20,005                     | 16,505           | 36,510          |
| Deferred revenue                                | <u>1,878</u>               | <u>-</u>         | <u>1,878</u>    |
| Total liabilities                               | <u>33,252</u>              | <u>23,063</u>    | <u>56,315</u>   |
| <b>Net Assets</b>                               |                            |                  |                 |
| Invested in capital assets                      | 18,695                     | -                | 18,695          |
| Unrestricted                                    | <u>7,206</u>               | <u>(5,388)</u>   | <u>1,818</u>    |
| Total net assets                                | <u>\$25,901</u>            | <u>\$(5,388)</u> | <u>\$20,513</u> |

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2010

Schedule 4

|                                    | School<br><u>Nutrition</u> | <u>Preschool</u>  | <u>Total</u>     |
|------------------------------------|----------------------------|-------------------|------------------|
| Operating revenue                  |                            |                   |                  |
| Local sources                      |                            |                   |                  |
| Charges for service                | \$ 128,361                 | \$ 20,943         | \$ 149,304       |
| Operating expenses                 |                            |                   |                  |
| Support Services                   |                            |                   |                  |
| Operation and maintenance of plant |                            |                   |                  |
| Purchased services                 | 2,385                      | -                 | 2,385            |
| Supplies                           | 1,788                      | -                 | 1,788            |
|                                    | <u>4,173</u>               | <u>-</u>          | <u>4,173</u>     |
| Non-instructional programs         |                            |                   |                  |
| Salaries                           | 59,485                     | 21,378            | 80,863           |
| Benefits                           | 15,295                     | 6,070             | 21,365           |
| Purchased services                 | 4,521                      | -                 | 4,521            |
| Supplies                           | 102,770                    | -                 | 102,770          |
| Miscellaneous                      | 1,304                      | -                 | 1,304            |
| Depreciation                       | 3,706                      | -                 | 3,706            |
|                                    | <u>187,081</u>             | <u>27,448</u>     | <u>214,529</u>   |
| Total operating expenses           | <u>191,254</u>             | <u>27,448</u>     | <u>218,702</u>   |
| Operating loss                     | <u>(62,893)</u>            | <u>(6,505)</u>    | <u>(69,398)</u>  |
| Non-operating revenue              |                            |                   |                  |
| Interest income                    | 3                          | -                 | 3                |
| State sources                      | 1,695                      | -                 | 1,695            |
| Federal sources                    | 65,783                     | -                 | 65,783           |
| Total non-operating revenue        | <u>67,481</u>              | <u>-</u>          | <u>67,481</u>    |
| Net income (loss) before transfers | 4,588                      | (6,505)           | (1,917)          |
| Transfers in                       | <u>609</u>                 | <u>23,240</u>     | <u>23,849</u>    |
| Net income                         | 5,197                      | 16,735            | 21,932           |
| Net assets, beginning of year      | 20,704                     | (22,123)          | (1,419)          |
| Net assets, end of year            | <u>\$ 25,901</u>           | <u>\$ (5,388)</u> | <u>\$ 20,513</u> |

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Combining Statement of Cash Flows  
Nonmajor Enterprise Funds  
For the Year Ended June 30, 2010

Schedule 5

|  | School<br>Nutrition | Preschool   | Total            |
|--|---------------------|-------------|------------------|
| Cash flows from operating activities                     |                     |             |                  |
| Cash received from sale of services                      | \$128,316           | \$ 20,943   | \$149,259        |
| Cash payments to employees for services                  | (71,481)            | (44,183)    | (115,664)        |
| Cash payments to suppliers for goods and services        | (101,517)           | -           | (101,517)        |
| Net cash used in operating activities                    | (44,682)            | (23,240)    | (67,922)         |
| Cash flows from non-capital financing activities         |                     |             |                  |
| Operating transfers in                                   | 609                 | 23,240      | 23,849           |
| State grants received                                    | 1,695               | -           | 1,695            |
| Federal grants received                                  | 51,749              | -           | 51,749           |
| Net cash provided by non-capital financing activities    | 54,053              | 23,240      | 77,293           |
| Cash flows from capital and related financing activities |                     |             |                  |
| Acquisition of capital assets                            | (9,250)             | -           | (9,250)          |
| Cash flows from investing activities                     |                     |             |                  |
| Interest on investments                                  | 3                   | -           | 3                |
| Net increase in cash and cash equivalents                | 124                 | -           | 124              |
| Cash and cash equivalents, beginning of year             | 34,753              | -           | 34,753           |
| Cash and cash equivalents, end of year                   | <u>\$ 34,877</u>    | <u>\$ -</u> | <u>\$ 34,877</u> |

**Reconciliation of operating loss to net cash  
used in operating activities**

|   |                    |                    |                    |
|---|--------------------|--------------------|--------------------|
| Operating loss  | \$ (62,893)        | \$ (6,505)         | \$ (69,398)        |
| Adjustments to reconcile operating loss to net<br>cash used in operating activities |                    |                    |                    |
| Depreciation  | 3,706              | -                  | 3,706              |
| Commodities used  | 11,904             | -                  | 11,904             |
| (Increase) in accounts receivable   | (160)              | -                  | (160)              |
| (Increase) in due from other fund   | -                  | (17,675)           | (17,675)           |
| (Increase) in due from other governments  | (2,130)            | -                  | (2,130)            |
| Decrease in inventory   | 932                | -                  | 932                |
| (Decrease) in due to other fund   | -                  | (1,476)            | (1,476)            |
| Increase (decrease) in accounts payable   | 545                | (23)               | 522                |
| Increase in deferred revenue  | 115                | -                  | 115                |
| Increase in accrued salaries and benefits   | 3,299              | 2,439              | 5,738              |
| Net cash used in operating activities   | <u>\$ (44,682)</u> | <u>\$ (23,240)</u> | <u>\$ (67,922)</u> |

**Non-cash investing, capital and related financing activities:**

During the year ended June 30, 2010 the District received \$11,904 of federal commodities.

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2010

Schedule 6

| Account                        | Balance,<br>Beginning<br>of Year | Revenues | Expenditures | Balance,<br>End of<br>Year |
|--------------------------------|----------------------------------|----------|--------------|----------------------------|
| Cross country                  | \$ 228                           | \$ 380   | \$ 520       | \$ 88                      |
| Boys basketball                | 939                              | 3,974    | 4,502        | 411                        |
| Football                       | 1,634                            | 8,763    | 9,337        | 1,060                      |
| Boys baseball                  | 11                               | 397      | 281          | 127                        |
| Boys track                     | 800                              | 2,209    | 2,616        | 393                        |
| Boys golf                      | 88                               | -        | 50           | 38                         |
| Wrestling                      | 53                               | -        | 23           | 30                         |
| Girls basketball               | 2,041                            | 1,701    | 2,266        | 1,476                      |
| Girls volleyball               | 1,044                            | 5,974    | 3,572        | 3,446                      |
| Girls softball                 | 352                              | 2,526    | 2,771        | 107                        |
| Girls track                    | 486                              | 884      | 1,329        | 41                         |
| Gate money                     | 9,196                            | 30,978   | 32,489       | 7,685                      |
| Activities director            | 239                              | 2        | -            | 241                        |
| Weight room                    | 155                              | 1        | -            | 156                        |
| Cheerleading                   | 2,380                            | 3,910    | 5,261        | 1,029                      |
| Vocal resale                   | 2,716                            | 1,893    | 1,880        | 2,729                      |
| HS instrumental                | 49                               | 5,463    | 5,422        | 90                         |
| Supply store                   | 1,199                            | 20       | -            | 1,219                      |
| Elementary art club            | 4,451                            | 388      | 203          | 4,636                      |
| Pictures                       | 733                              | 1,376    | 1,081        | 1,028                      |
| Jump Rope for Heart            | 120                              | 1        | -            | 121                        |
| Student senate - elementary    | 50                               | 53       | -            | 103                        |
| Fine arts                      | 1,915                            | 2,015    | 2,129        | 1,801                      |
| Elementary yearbook            | 52                               | 2,021    | 1,983        | 90                         |
| Elementary instrumental resale | 268                              | 334      | -            | 602                        |
| Book fair                      | 2,613                            | 4,702    | 3,727        | 3,588                      |
| Drama                          | 1,635                            | 767      | 462          | 1,940                      |
| Art club                       | 1,678                            | 646      | 613          | 1,711                      |
| Pictures                       | 353                              | 1,108    | 967          | 494                        |
| Library fines                  | 845                              | -        | 845          | -                          |
| Garden project                 | 409                              | 3        | -            | 412                        |
| MS Science Club                | -                                | 280      | 238          | 42                         |

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Changes in Special Revenue Fund, Student Activity Accounts  
For the Year Ended June 30, 2010

Schedule 6

| Account               | Balance,<br>End of<br><u>Year</u> | <u>Revenues</u>   | <u>Expenditures</u> | Balance,<br>End of<br><u>Year</u> |
|-----------------------|-----------------------------------|-------------------|---------------------|-----------------------------------|
| Yearbook              | \$ 6,323                          | \$ 2,881          | \$ 3,619            | \$ 5,585                          |
| Lego League           | 1,361                             | 17                | -                   | 1,378                             |
| School cents          | 8,297                             | 2,462             | 3,201               | 7,558                             |
| Student senate - MS   | 907                               | 466               | 378                 | 995                               |
| Student senate - HS   | 1,683                             | 795               | 1,022               | 1,456                             |
| Class of 2009         | 1,350                             | -                 | 1,350               | -                                 |
| Class of 2010         | 2,677                             | 358               | 2,866               | 169                               |
| Class of 2011         | 2,382                             | 8,705             | 7,586               | 3,501                             |
| Class of 2012         | 537                               | 325               | -                   | 862                               |
| Class of 2013         | 291                               | 2                 | -                   | 293                               |
| Class of 2014         | 222                               | 1,590             | 626                 | 1,186                             |
| Middle school science | 230                               | 263               | -                   | 493                               |
| Instrument repair     | 2,436                             | 36                | 1,160               | 1,312                             |
| Class of 2015         | 121                               | 369               | 1                   | 489                               |
| Class of 2016         | -                                 | 288               | -                   | 288                               |
|                       | <u>          </u>                 | <u>          </u> | <u>          </u>   | <u>          </u>                 |
| Totals                | <u>\$ 67,549</u>                  | <u>\$ 101,326</u> | <u>\$ 106,376</u>   | <u>\$ 62,499</u>                  |

See accompanying Independent Auditor's Report.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds  
For the Last Seven Years

Schedule 7

|                                    | Modified Accrual Basis |                    |                    |                    |                    |                    |                    |
|------------------------------------|------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                    | <u>2010</u>            | <u>2009</u>        | <u>2008</u>        | <u>2007</u>        | <u>2006</u>        | <u>2005</u>        | <u>2004</u>        |
| Revenues                           |                        |                    |                    |                    |                    |                    |                    |
| Local sources                      |                        |                    |                    |                    |                    |                    |                    |
| Local tax                          | \$2,275,398            | \$2,129,621        | \$2,023,376        | \$1,433,756        | \$1,294,457        | \$1,235,683        | \$1,163,863        |
| Tuition                            | 349,221                | 305,429            | 397,711            | 363,863            | 329,805            | 315,579            | 299,433            |
| Other                              | 174,992                | 237,613            | 221,034            | 192,006            | 151,998            | 124,320            | 115,037            |
| State sources                      | 1,960,731              | 2,273,695          | 2,380,698          | 2,318,082          | 2,246,880          | 2,083,190          | 1,967,842          |
| Federal sources                    | 298,143                | 169,611            | 105,700            | 143,883            | 85,608             | 64,116             | 82,265             |
| Total revenues                     | <u>\$5,058,485</u>     | <u>\$5,115,969</u> | <u>\$5,128,519</u> | <u>\$4,451,590</u> | <u>\$4,108,748</u> | <u>\$3,822,888</u> | <u>\$3,628,440</u> |
| Expenditures                       |                        |                    |                    |                    |                    |                    |                    |
| Current                            |                        |                    |                    |                    |                    |                    |                    |
| Instruction                        |                        |                    |                    |                    |                    |                    |                    |
| Regular                            | \$1,972,472            | \$1,957,702        | \$2,079,241        | \$1,975,600        | \$1,690,720        | \$1,723,222        | \$1,729,933        |
| Special                            | 425,680                | 477,178            | 379,056            | 391,669            | 388,496            | 426,064            | 365,774            |
| Other                              | 271,551                | 465,028            | 439,642            | 353,886            | 350,761            | 368,467            | 239,802            |
| Support services                   |                        |                    |                    |                    |                    |                    |                    |
| Student                            | 100,736                | 99,912             | 84,957             | 62,375             | 55,388             | 15,750             | 15,448             |
| Instructional staff                | 109,824                | 124,337            | 166,948            | 150,601            | 156,447            | 165,882            | 116,071            |
| Administration                     | 517,238                | 531,365            | 504,787            | 472,893            | 428,280            | 437,637            | 487,216            |
| Operation and maintenance of plant | 369,381                | 374,395            | 404,437            | 367,717            | 355,078            | 343,560            | 296,785            |
| Transportation                     | 123,553                | 131,807            | 217,194            | 148,735            | 113,893            | 92,258             | 94,145             |
| Other expenditures                 |                        |                    |                    |                    |                    |                    |                    |
| Facilities acquisition             | 2,531,340              | 213,318            | 45,821             | 20,821             | 84,260             | 43,784             | 322,540            |
| Long-term debt                     |                        |                    |                    |                    |                    |                    |                    |
| Principal                          | 185,000                | 180,000            | 180,000            | 170,000            | 175,000            | 165,000            | 155,000            |
| Interest and other charges         | 99,822                 | 71,134             | 20,345             | 23,580             | 26,504             | 31,081             | 74,673             |
| AEA flowthrough                    | 175,015                | 164,655            | 164,079            | 154,878            | 146,014            | 133,842            | 133,943            |
| Total expenditures                 | <u>\$6,881,612</u>     | <u>\$4,790,831</u> | <u>\$4,686,507</u> | <u>\$4,292,755</u> | <u>\$3,970,841</u> | <u>\$3,946,547</u> | <u>\$4,031,330</u> |

See accompanying Independent Auditor's Report.

# KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive, Suite 3  
Muscatine, Iowa 52761  
563-264-1385

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Board of Education  
Springville Community School District

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Springville Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated February 28, 2011. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

## Internal Control Over Financial Reporting

In planning and performing my audit, I considered Springville Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Springville Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Springville Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal

control described in Part I of the accompanying Schedule of Findings as items A and B to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Springville Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Springville Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the District's responses, I did not audit Springville Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Springville Community School District and other parties to whom Springville Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the Springville Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Kay L. Chapman, CPA PC  
February 28, 2011

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2010

**Part I. Findings Related to the Financial Statements**

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROLS DEFICIENCIES

- A. Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performed the following duties: recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

- B. Material Misstatement not Detected - During the course of my audit, I discovered material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The final receipt of statewide sales, services and use tax revenue was not accrued as an accounts receivable and the retainage payable for construction services was not accrued as an accounts payable in the Capital Projects Fund, resulting in the Capital Projects Fund ending fund balance being overreported on the CAR by \$38,015. These misstatements will result in a correction to the beginning balances of the Capital Projects Fund on next year's CAR.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2010

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

**Part II. Other Findings Related to Required Statutory Reporting:**

1. Certified Budget - Expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted.
2. Questionable Expenditures - I noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2010

10. Certified Annual Reports - The Certified Annual Report was certified to the Department of Education timely; however, material errors in amounts reported were noted, as described in B. above.

Recommendation - The District should ensure that the beginning fund balance for the Capital Project Fund be corrected on the District's CAR for the next fiscal year. The District should also review the CAR to ensure that all amounts reported are correct, in all subsequent years.

Response - We will implement the recommendation and use the correct beginning fund balance for the Capital Projects Fund on our subsequent CAR.

Conclusion - Response accepted.

11. Financial Condition - The District's Enterprise Fund, Preschool Fund had a net assets deficit of \$5,388 at June 30, 2010.

Recommendation - The District should continue to monitor this fund and investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - We will review this situation and implement changes, as needed.

Conclusion - Response accepted.

12. Categorical Funding - No instances were noted of categorical funding used to supplant rather than supplement other funds.

13. Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

SPRINGVILLE COMMUNITY SCHOOL DISTRICT  
Schedule of Findings  
For the Year Ended June 30, 2010

|  |                  |                     |
|--|------------------|---------------------|
| Beginning balance                      |                  | \$ 4,201,693        |
| Revenues                               |                  |                     |
| Statewide sales, services and use tax  | \$ 460,294       |                     |
| Interest earned                        | 4,142            |                     |
| Miscellaneous                          | <u>358</u>       | 464,794             |
| Expenditures/transfers out             |                  |                     |
| School infrastructure                  |                  |                     |
| Building and site improvements         | \$(2,527,444)    |                     |
| Debt service for school infrastructure |                  |                     |
| General obligation debt                | (133,514)        |                     |
| Revenue debt                           | <u>(198,044)</u> | <u>(2,859,002)</u>  |
| Ending balance                         |                  | <u>\$ 1,807,485</u> |

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

|                                   | Per \$1,000<br>of Taxable<br><u>Valuation</u> | Property<br>Tax<br><u>Dollars</u> |
|-----------------------------------|---|-----------------------------------|
| Physical plant and equipment levy | \$ 4.91823                                    | <u>460,294</u>                    |

SPRINGVILLE COMMUNITY SCHOOL DISTRICT

Audit Staff  
June 30, 2010

This audit was performed by

Kay Chapman, CPA  
Tammy Calvert, staff accountant